

TAXING MATTERS

VAT DISCLOSURE OPPORTUNITY 30 SEPTEMBER 2011 DEADLINE

During June/July HMRC issued over 40,000 letters to various taxpayers effectively giving them the opportunity to disclose where they should have registered for VAT. This HM Revenue and Customs' (HMRC) initiative is aimed at traders who are not currently registered for VAT where the business turnover is above the current VAT threshold of £73k. This follows previous facilities targeting those with offshore assets, medical professionals, plumbers and associated tradespeople. Whilst most taxi drivers would love to be earning close to this level of earnings, there are some who may have done so without realising the consequences of the need to register for VAT. There is a standard rate scheme that allows those in the taxi trade to pay a flat rate of nine per cent VAT (eight per cent in the first year) on their sales as opposed to the dreaded 20 per cent others pay.

The VAT Initiative Campaign encourages those with outstanding liabilities to come forward and make a full disclosure in exchange for preferential settlement terms. It states that most disclosures will qualify for a ten per cent penalty, instead of the normal penalty up to 100 per cent of the tax, as well as the likelihood of the disclosure being accepted without undergoing any follow up queries.

HMRC has started this initiative by issuing over 40,000 letters to targeted businesses. After the registration deadline of 30 September 2011, HMRC has said that it will start investigations into businesses that have not come forward. HMRC plans to make use of information that it has specifically compiled to target businesses currently unregistered for VAT.

The facility also allows for the disclosure of additional, related tax liabilities, other than VAT. Again these can be disclosed with a lower penalty than HMRC would charge during an investigation.

A business is required to register for VAT, in the normal course of matters, if its turnover exceeds the VAT threshold in any 12 month period on a rolling annual basis. Examples of the annual threshold in recent years are:

- 2010/11 - £70k
- 2009/10 - £68k
- 2008/09 - £67k
- 2007/08 - £64k
- 2006/07 - £61k

There is no time bar on the back dating of VAT registrations.

WHAT ARE THE DEADLINES FOR MAKING A VAT DISCLOSURE UNDER THIS FACILITY?

- The deadline for notifying an intention to make a disclosure is 30 September 2011.
- The deadline for full disclosure and payment of the tax, interest and penalties is 31 December 2011.

DO YOU NEED TO MAKE A VAT DISCLOSURE TO HMRC?

Although promoted as a straightforward process by HMRC, it is clear from the guidance there are a number of taxpayers and circumstances where the full benefits of the facility may not apply.

WHAT IF I HAVE HAD A LETTER?

HMRC may have targeted you because your turnover over a number of years, or your last return year, shows that you are nearing the VAT registration limit. As it says in the letter you do not need to do anything if you are happy that your turnover is correct.

PLANNING FOR THE FUTURE!

We have now seen heightened activity from HMRC. They commenced a similar activity with an amnesty for plumbers. This has resulted in many plumbers who did not advise HMRC of their correct earnings being prosecuted, paying back taxes with huge penalties. HMRC have now started this recent initiative and intend also looking at private tutors, fitness coaches, E market trading such as on eBay and various other trades. HMRC has been using its cutting edge technology coupled with its legal information powers to research several areas of industry. So beware they are on the rampage.

I AM A TAXI DRIVER, SO WHY SHOULD I WORRY?

There is no real reason to panic, but prepare and protect yourself for the future. Keep adequate records; ensure you know if you are getting near to that VAT threshold. We have developed Taximanager with this in mind to help the driver keep good records. Don't forget HMRC will one day look in great detail at the taxi industry; no doubt they are already compiling information from all sorts of sources, particularly from Borough Licensing Offices, vehicle testing stations to name just two sources they have accessed in the past.

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If you have any queries or problems, or need any advice, please email pbttaxsolutions@gmail.com or visit www.pbttaxsolutions.co.uk

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